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Cotton and Products

Annual

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Report Highlights: Total imports of raw cotton into Japan in MY 2001/02 are estimated to be 230,000 metric tons and about 7 percent below the previous year due to increased imports of finished products from China. Imports from the United States, estimated at 90,000 metric tons in MY01/02, are about 12,000 metric tons higher than the previous year due to some shift from Australian cotton presumably because of the high micronaire found in Australian cotton. Total raw cotton imports into Japan are expected to decrease further in MY 2002/03 although imports from the U.S. are forecasted to increase due to its competitive price.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Section I. Situation and Outlook

Total imports of raw cotton into Japan in MY 2001/02 are estimated to be 230,000 metric tons, about 7 percent lower than the previous year. The U.S. market share should recover by 8 percent from the previous year, accounting for about 90,000 metric tons or nearly 40% of total imports. This is due to some shift from Australian cotton to U.S. cotton presumably because of a high micronaire found in Australian cotton as well as a more competitive U.S. price. The combined imports from the United States and Australia in MY 2001/2002 are estimated make up 88 percent of total imports with 40 percent from the U.S. and 48 percent from Australia. Total imports of Japanese raw cotton in MY 2002/03 are forecasted to be about 220,000 metric tons, a decrease of about 5 percent from MY 2001/02. However, the Japanese spinning industry estimates that Japanese raw cotton imports from the United States will increase in MY 2002/03 accounting for about 95,000 metric tons due to competitive prices supported by the new U.S. Farm Bill. The market share for the United States consequently is forecasted to be around 43 percent according to the Japan spinning industry.

U.S. Pima cotton continues to be the most popular type for Extra-Long-Staple (ELS) cotton and is estimated to account for 15,000 metric tons in MY 2001/02, about 75 percent of total ELS imports of 20,000 metric tons. However, no official data is currently available for ELS cotton imports. The numbers are collected from trade houses by Japan Cotton Traders' Association. The ELS imports in MY2002/03 are estimated to remain at the same level as MY 2001/02.

The decline of Japanese raw cotton imports is due to the continuing reduction in domestic manufacturing caused by increased imports of finished products from China. The imported cotton goods accounted over 85 percent of total cotton goods supply in Japan in CY 2001 and are expected to grow further, leaving a small share for domestic production. The deflation in Japan brought on by the sluggish economy continues to impact the market and favors low-priced finished goods from China. As a result, Japanese imports of finished cotton goods (containing more than 50 percent cotton) in CY 2001 increased by 11 percent from the 2000 level. Japanese spinning capacity has declined by more than half in the past 10 years and is expected to decline even further. However, cotton seems more popular than synthetic fiber among consumers as domestic consumption of Japanese cotton goods in CY 2001 increased slightly (by 1 percent) from CY 2000 while domestic consumption for synthetic fiber goods in CY 2001 decreased by 6 percent.

Japanese domestic manufacturers seem to be following a differentiation strategy to survive, making special blends of yarns and treatments to yarns/fabrics in order to add higher value and special functions to their products which differentiates them from inexpensive imported goods. The special functions include adding wrinkle-free, water resistance, oil resistance, stretching, fire resistance, deodorant, and ticks resistant fibers, etc.

The weighted average CIF price of U.S. cotton coming to Japan in CY 2001 was 144.22 cents per kilogram while that of Australian cotton was 128.13 yen per kilogram. The average CIF of U.S. cotton in CY 2002 as of April is 118.52 yen per kilogram, much lower than the previous year, and has gotten closer to the CIF of Australian cotton at 111.48 yen.

There is no major change to report in the status of trade barriers for raw cotton. Raw cotton has a zero import duty in Japan. The tariff for cotton yarn (tariff code 52.05) is 2.1% or 14.40 yen per kg whichever is the greater for 100 % cotton. The tariff for cotton fabric (tariff code 52.08) is 5.6% or 4.4% + 1.52 yen per square meter which ever is the greater. Tariffs for finished cotton products vary depending upon product, however, the tariffs do not appear to be significant enough to discourage imports.

The Japanese Spinning Industry mentioned their concern regarding high micronaire recently found in U.S. cotton grown in the Mississippi area to the chairman of American Cotton Shippers' Association (ACSA) when he visited Japan last February. The ACSA chairman indicated that the high micronaire might be due to GMO cotton seeds. The industry is concerned that high micronaire might spread throughout U.S. cotton if it is due to GMO cotton seeds.

Section II. Statistical Tables

PSD Table						
Country	Japan					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	56827	54000	54214	43000	54214	43000
Production	0	0	0	0	0	0
Imports	247773	248000	239499	230000	0	220000
TOTAL SUPPLY	304600	302000	293713	273000	54214	263000
Exports	0	0	0	0	0	0
USE Dom. Consumption	250386	259000	239499	230000	0	220000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	250386	259000	239499	230000	0	220000
Ending Stocks	54214	43000	54214	43000	0	43000
TOTAL DISTRIBUTION	304600	302000	293713	273000	0	263000

Japanese Spinning Capacity

Year	No. of Mills	No. of Spindles (1000)	No. of Average Spindles Operated (1000)	Capacity Utilization rate
1992	113	5,861	5,140	87.7%
1993	99	5,001	4,410	88.2%
1994	91	4,330	3,778	82.5%
1995	82	3,957	3,411	83.7%
1996	73	3,513	3,030	82.3%
1997	65	3,082	2,751	86.6%
1998	63	2,917	2,577	85.5%
1999	60	2,758	2,333	83.6%
2000	54	2,327	2,079	85.4%
2001	52	2,222	1,875	83.7%
2002	50	2,156	1,729	80.2%

Source: Japan Spinners' Association

Japanese Cotton Goods Supply and Demand
(1,000 Metric Tons Yarn Equivalent)
Calendar Year

	1999	2000	2001	2002 (as of March)
Beginning Stocks	127	118	116	107
Production	171	159	139	32
Imports	711	805	829	198
Total Supply	1,009	1,082	1,084	337
Exports	69	81	83	19
Domestic Consumption	821	885	894	219
Ending Stocks	118	116	107	100
Total Disappearance	1,009	1,082	1,084	338

Source: Japan Spinners' Association

Japanese Synthetic Fiber Goods Supply and Demand
(1000 Metric Tons Yarn Equivalent)
Calendar year

	1999	2000	2001
Beginning Stocks	83	71	70
Production	159	147	123
Imports	327	383	374
Total Supply	569	601	567
Export	36	36	36
Domestic Consumption	462	495	469
Ending Stock	71	70	61
Total Disappearance	569	601	566

Source: Japanese Spinners' Association

Japanese Imports of Cotton Finished Goods containing more than 50 percent cotton
Calendar Year
Metric Tons

Country of Origin	1999	2000	2001
China	348,332	481,346	535,472
Korea	20,452	20,474	18,921
Vietnam	14,701	18,631	18,208
India	12,570	14,809	14,649
U.S.	8,983	8,592	6,056
Other	34,128	34,128	33,237
Grand Total	439,166	577,980	626,543

Japanese Imports of Cotton Yarn containing more than 50 percent cotton
Calendar Year
Metric Tons

Country of Origin	1999	2000	2001
Pakistan	74,824	59,382	44,140
Indonesia	37,410	26,798	23,695
India	16,935	13,684	15,895
China	17,219	12,283	14,698
Korea	4,779	4,055	2,865
Other	9,472	8,084	9,492
Total	160,639	124,286	110,785

Japanese Imports of Cotton fabric containing more than 50 percent cotton
1,000 Square Meter
Calendar Year

Country of Origin	1999	2000	2001
China	569,138	515,142	445,002
Indonesia	81,137	75,625	69,990
Pakistan	42,979	33,830	25,661
Malaysia	16,707	17,623	13,636
Other	34,337	44,561	36,739
Total	744,298	686,781	591,028

Import Trade Matrix			
Country	Japan		
Commodity	Cotton		
Time period	August-July	Units:	Metric Tons
Imports for:	2000		2001
U.S.	78275	U.S.	90000
Others		Others	
Australia	138596		110000
Syria	6389		
India	6107		
Mexico	4712		
Egypt	3236		
China	2685		
Zimbabwe	1752		
Greece	1233		
Uzbekistan	1176		
Sudan	935		
Total for Others	166821		110000
Others not Listed	2593		30000
Grand Total	247689		230000

Source: Customs and Tariff Bureau, Ministry of Finance
 MY 2001/02 is estimated by the U.S. Agricultural Trade Office, Osaka

Extra-Long Staple (ELS) Cotton Imports into Japan 1/
(Metric Tons)
August-July Marketing year

	2000/01	2001/02	2002/03
U.S.A.	16,000	15,300	15,300
Egypt	3,000	3,000	3,000
Sudan	900	700	700
Other	1,100	1,000	1,000
Total	21,000	20,000	20,000

Source: Japan Cotton Traders' Association

1/ Agricultural Trade Office Estimate.

Prices: Average CIF for U.S. cotton in Japan

Prices Table			
Country	Japan		
Commodity	Cotton		
Prices in	U.S. cents	per uom	Kilogram
Year	2001	2002	% Change
Jan	150.7	121.44	-19.42%
Feb	150.9	119.38	-20.89%
Mar	163.03	123.8	-24.06%
Apr	158.19	109.45	-30.81%
May	148.37	n/a	-100.00%
Jun	146.62	n/a	-100.00%
Jul	148.38	n/a	-100.00%
Aug	136.46	n/a	-100.00%
Sep	128.19	n/a	-100.00%
Oct	124.74	n/a	-100.00%
Nov	123.55	n/a	-100.00%
Dec	129.92	n/a	-100.00%
Exchange Rate		Local currency/US \$	